

Public Employees Benefits Agency Revolving Fund



Annual Report for 2014-2015

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Letters of Transmittal



Her Honour, The Honourable Vaughn Solomon Schofield
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report of the Public Employees Benefits Agency Revolving Fund for the fiscal year ending March 31, 2015.

A handwritten signature in dark ink, appearing to be 'K. Doherty'.

Kevin Doherty
Minister of Finance

The Honourable Kevin Doherty
Minister of Finance

Sir:

On behalf of the Public Employees Benefits Agency, I have the honour of submitting the Annual Report of the Public Employees Benefits Agency Revolving Fund for the fiscal year ending March 31, 2015.

A handwritten signature in dark ink, appearing to be 'Dave Wild'.

Dave Wild
Associate Deputy Minister
Public Employees Benefits Agency
Ministry of Finance

Public Employees Benefits Agency Revolving Fund

Introduction

The Public Employees Benefits Agency Revolving Fund was established effective April 1, 1988. The authority for the Fund is contained in Section 65 of *The Financial Administration Act, 1993*.

The intent of the Fund is to account for the administration costs of the Public Employees Benefits Agency (PEBA). These costs are allocated to the following plans and programs:

Pension Funds

Anti-Tuberculosis League Employees Superannuation Plan
Judges of the Provincial Court Superannuation Plan
Liquor Board Superannuation Plan
Members of the Legislative Assembly Benefits
Municipal Employees' Pension Plan
Pension Plan for the Employees of the
Saskatchewan Workers' Compensation Board
Public Employees Pension Plan
Public Service Superannuation Plan
Saskatchewan Pension Annuity Fund
Saskatchewan Transportation Company Employees
Superannuation Plan
The Power Corporation Superannuation Plan

Employee Benefit Funds

Additional Pension Contribution Program
Extended Health Care Plan
Extended Health Care Plan for Certain Other Employees
Extended Health Care Plan for Certain Other
Retired Employees
Extended Health Care Plan for Retired Employees
Government of Saskatchewan and Canadian
Union of Public Employees Local No. 600-3
and Local No. 600-5 Benefit Plans' Surplus Fund
Government of Saskatchewan and
Saskatchewan Government and General
Employees' Union Benefit Plans' Surplus Fund
Government of Saskatchewan Scheduled Aircraft Plan
Government of Saskatchewan Unscheduled Aircraft Plan
Public Employees Deferred Salary Leave Plan
Public Employees Dental Plan

Public Employees Disability Income Plan
Public Employees Group Life Insurance Plan
Saskatchewan Government Insurance Service
Recognition Plan
Saskatchewan Water Corporation Retirement
Allowance Plan
SaskEnergy Retiring Allowance Plan
SaskPower Designated Employee Benefit Plan
SaskPower Millennium Plan
SaskPower Severance Pay Credits Plan
SaskPower Supplementary Superannuation Plan
SaskTel Retirement Gratuity Plan
Water Security Agency of Saskatchewan Retirement
Allowance Plan

Administration

The Fund is managed by the Public Employees Benefits Agency, Ministry of Finance.

The costs incurred in the administration of the various plans and programs by PEBA are billed on a monthly basis.

Costs relating to a particular plan or program are allocated to that plan. All other costs are allocated to the plans and programs using a formula primarily based on time required to administer these plans and programs.

Financing

Subsection 65(12) of *The Financial Administration Act, 1993*, provides for the maximum accumulated net expenditure to be set by order of the Lieutenant Governor in Council. The maximum amount for accumulated net expenditure has been set at \$5,800,000.

Administration Costs

2015	\$15,869,731
2014	\$15,218,466
2013	\$14,944,741
2012	\$15,088,549

All costs are paid by the various plans and programs. Revenue and expenses will therefore equal, leaving the excess of revenues over expenditures a "nil" amount annually.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Public Employees Benefits Agency Revolving Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian public sector accounting standards applicable for governments.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Public Employees Benefits Agency Revolving Fund has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian public sector accounting standards applicable for governments.

We enclose the financial statements of the Public Employees Benefits Agency Revolving Fund for the year ended March 31, 2015, and the Provincial Auditor's report on these financial statements.

Regina, Saskatchewan
July 9, 2015



Dave Wild
Associate Deputy Minister
Public Employees Benefits Agency
Ministry of Finance

Public Employees Benefits Agency Revolving Fund

Financial Statements

Year Ended March 31, 2015



Independent Auditor's Report

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Public Employees Benefits Agency Revolving Fund, which comprise the statement of financial position as at March 31, 2015, and the statements of operations, changes in net debt, and changes in accumulated net expenditure for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Public Employees Benefits Agency Revolving Fund as at March 31, 2015, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson, FCPA, FCA
Provincial Auditor

Regina, Saskatchewan
July 9, 2015

**Public Employees Benefits Agency Revolving Fund
Statement of Financial Position**

Statement 1

As At March 31

	<u>2015</u>	<u>2014</u>
FINANCIAL ASSETS		
Cash	\$ 400	\$ 400
Accounts receivable	<u>2,319,856</u>	<u>2,151,547</u>
Total Financial Assets	<u>2,320,256</u>	<u>2,151,947</u>
 LIABILITIES		
Accounts payable and accrued liabilities	1,983,198	1,360,160
Accumulated net expenditure (Statement 4; Note 2b, Note 3)	<u>3,388,916</u>	<u>3,568,428</u>
Total Liabilities	<u>5,372,114</u>	<u>4,928,588</u>
Net Debt (Statement 3)	<u>3,051,858</u>	<u>2,776,641</u>
 NON-FINANCIAL ASSETS		
Prepaid expenses	550,069	353,490
Tangible capital assets (Note 4)	<u>2,501,789</u>	<u>2,423,151</u>
Total Non-financial Assets	<u>3,051,858</u>	<u>2,776,641</u>
Accumulated Surplus	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes to the financial statements)

**Public Employees Benefits Agency Revolving Fund
Statement of Operations**

Statement 2

For The Year Ended March 31

	2015		2014
	Budget (Note 7)	Actual	Actual
REVENUE			
Administration fees	\$18,719,299	\$15,869,731	\$15,218,466
EXPENSES:			
Salaries and benefits	8,695,304	7,886,843	7,794,787
Contractual services	5,683,083	4,327,277	4,027,331
Amortization	938,077	790,442	815,999
Rent	1,260,501	1,221,643	1,160,177
Pension and benefit board governance (Note 2f)	706,441	476,320	368,109
Postage and communications	442,043	519,031	432,934
Supplies	487,863	278,996	382,716
Travel	228,995	94,884	79,514
Advertising/printing	238,445	202,866	129,699
Business expenses	21,247	67,414	9,813
Repairs and maintenance	17,300	4,015	17,387
Total expenses	18,719,299	15,869,731	15,218,466
Surplus	\$ -	\$ -	\$ -

(See accompanying notes to the financial statements)

**Public Employees Benefits Agency Revolving Fund
Statement of Changes in Net Debt**

Statement 3

For The Year Ended March 31

	<u>2015</u>		<u>2014</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	<u>(Note 7)</u>		
Net debt, beginning of year	<u>\$ 2,776,641</u>	<u>\$ 2,776,641</u>	<u>\$ 3,230,288</u>
Surplus			
Acquisition of tangible capital assets (Note 4)	677,000	869,080	319,380
Amortization of tangible capital assets (Note 4)	(938,077)	(790,442)	(815,999)
Net increase in prepaid expense	<u>-</u>	<u>196,579</u>	<u>42,972</u>
	<u>(261,077)</u>	<u>275,217</u>	<u>(453,647)</u>
Net debt, end of year (Statement 1)	<u>\$ 2,515,564</u>	<u>\$ 3,051,858</u>	<u>\$ 2,776,641</u>

(See accompanying notes to the financial statements)

**Public Employees Benefits Agency Revolving Fund
Statement of Changes in Accumulated Net Expenditure**

Statement 4

For The Year Ended March 31

	<u>2015</u>	<u>2014</u>
Financing provided by (used in) operating activities:		
Amortization of tangible capital assets (Note 4)	\$ 790,442	\$ 815,999
(Increase)/decrease in accounts receivable	(168,309)	374,314
Increase/(decrease) in accounts payable	623,038	(142,050)
Increase in prepaid expenses	(196,579)	(42,972)
Net financing provided by (used in) operating activities	<u>1,048,592</u>	<u>1,005,291</u>
Financing used in investing activities:		
Purchase of tangible capital assets (Note 4)	<u>(869,080)</u>	<u>(319,380)</u>
Net financing used in investing activities	<u>(869,080)</u>	<u>(319,380)</u>
Net decrease in financing requirements	179,512	685,911
Accumulated net expenditure, beginning of year	<u>(3,568,428)</u>	<u>(4,254,339)</u>
Accumulated net expenditure, end of year (Statement 1)	<u>\$(3,388,916)</u>	<u>\$(3,568,428)</u>

(See accompanying notes to the financial statements)

Public Employees Benefits Agency Revolving Fund
Notes to the Financial Statements

March 31, 2015

1. Authority and Definition of Accounting Entity

The Public Employees Benefits Agency Revolving Fund (Revolving Fund) was established under Section 65 of *The Financial Administration Act, 1993* to account for the administration costs of the Public Employees Benefits Agency (PEBA). These costs are allocated to the various pension plans and benefit programs administered by PEBA in accordance with the policy described in Note 2(c).

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Revolving Fund is classified as an other government organization. These financial statements are prepared in accordance with Canadian public sector accounting standards. These financial statements do not present a Statement of Cash Flows because this information is readily apparent from the Statement of Changes in Accumulated Net Expenditure. The following policies are considered significant:

a) Net Financing Requirements

The net financing requirement is the cash flow from (to) the General Revenue Fund (GRF). It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flow from operations.

b) Accumulated Net Expenditure (Recovery)

Expenditures of the Revolving Fund are made directly out of the GRF and receipts are deposited directly into the GRF. The excess of the accumulated net expenditures over accumulated receipts is the accumulated net expenditure balance or outstanding borrowing from the GRF.

The accumulated net expenditure (recovery) of the Revolving Fund includes the aggregate of net financing requirements for all fiscal years resulting from the Revolving Fund's net capital acquisitions, changes in working capital and net cash flow from operations.

c) Revenue – Administration Fees

The costs incurred by PEBA in the administration of the various pension plans and benefit programs are billed on a monthly basis to these plans and programs, as follows:

- i) Costs directly relating to a particular pension plan or benefit program are charged to that plan or program.
- ii) All other costs are charged to the various pension plans and benefit programs using a formula primarily based on employees' time required to administer these plans and programs.

d) **Tangible Capital Assets**

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is recorded commencing the year in which the assets are placed in service, on a straight-line basis, over their estimated useful lives as follows:

Computer hardware and software	5 years
System development and furniture	10 years
Leasehold improvements	over the term of the lease

Work in progress assets include system development costs incurred for systems not yet placed into service.

e) **Use of Estimates**

These statements are prepared in accordance with Canadian public sector accounting standards. These standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenue and expenses during the period. The amortization of tangible capital assets is subject to such estimates and assumptions. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

f) **Pension and Benefit Board Governance**

The pension plans and benefit programs administered by PEBA are governed by various Boards and Commissions. The expenses incurred by these governing bodies include honorariums, travel, training and consulting for initiatives related to the governance of the plans and programs.

3. **Authorized Financing**

Subsection 65(12) of *The Financial Administration Act, 1993* provides for the maximum accumulated net expenditure to be set by order of the Lieutenant Governor in Council. The maximum amount has been set at \$5,800,000 by Order in Council 116/2009.

4. Tangible Capital Assets

	2015					2014	
	Computer Hardware	Computer Software	Furniture	System Development	Leaseholds	Work in Progress	Total
Opening Net book value of tangible capital assets	\$ 193,319	\$ 32,828	\$ 27,990	\$ 1,555,004	\$ 496,759	\$ 117,251	\$ 2,919,770
Opening costs of tangible capital assets	1,165,709	605,899	391,548	7,096,472	1,703,796	117,251	10,761,295
Additions during year	88,957	-	21,097	112,657	535,914	110,455	319,380
Disposals during year	-	-	-	-	-	-	-
Closing costs of tangible capital assets	1,254,666	605,899	412,645	7,209,129	2,239,710	227,706	11,080,675
Opening accumulated amortization	972,390	573,071	363,558	5,541,468	1,207,037	-	7,841,525
Annual amortization	78,022	21,049	8,583	588,793	93,995	-	815,999
Disposals during year	-	-	-	-	-	-	-
Closing accumulated amortization	1,050,412	594,120	372,141	6,130,261	1,301,032	-	8,657,524
Net book value of tangible capital assets	\$ 204,254	\$ 11,779	\$ 40,504	\$ 1,078,868	\$ 938,678	\$ 227,706	\$ 2,423,151

5. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards, and commissions related to the Revolving Fund by virtue of common control by the Government of Saskatchewan. These financial statements also include transactions with non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan collectively referred to as "related parties".

Expenses include \$1,601,549 (2014 - \$1,521,983) that the Ministry of Finance incurred on PEBA's behalf for rent and certain administrative services provided to the Revolving Fund. The Revolving Fund bills the pension plans and benefit programs administered by PEBA in accordance with subsection 64(7) of *The Financial Administration Act, 1993*, to recover those expenses. Amounts received by the Revolving Fund relating to these costs are paid to the General Revenue Fund in accordance with subsection 65(11) of *The Financial Administration Act, 1993*.

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including financing and certain administrative costs. These costs have been absorbed by various ministerial appropriations and therefore, no provision for such costs is reflected in these financial statements.

Routine operating transactions with other related parties are recorded at agreed upon rates and are settled on agreed upon terms.

The Revolving Fund has lease commitments with related parties requiring minimum lease payments of:

2015	\$ 1,307,236
2016	\$ 1,307,236

The following table summarizes the Revolving Fund's related party transactions.

	2015	2014
Administration fees (Statement 2)	\$15,869,731	\$15,218,466
Expenses:		
Salaries and benefits	1,205,196	1,183,059
Contractual services	52,287	85,588
Rent	1,184,086	1,133,263
Postage and communications	473,525	404,481
Supplies	375	705
Advertising	451	-
Pension and benefit board governance	30,000	-
Travel	8,063	6,904
Repairs and maintenance	3,817	13,741
Total Related Parties Expenses	\$ 2,957,800	\$ 2,827,741

At year end, the following amounts were due to/from related parties as a result of the transactions referred to above:

	2015	2014
Accounts receivable	\$2,319,345	\$2,132,890
Accounts payable and accrued liabilities	267,295	220,526

6. Fair Value of Financial Assets and Financial Liabilities

The fair value of financial assets and financial liabilities approximates their carrying value due to their immediate or short-term nature.

7. Budget

The various pension plan and benefit program boards approved their component of the annual budget. A copy of PEBA's annual budget was also submitted to Treasury Board.

8. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.